

# **Rapides Finance Authority**

## **Annual Financial Report**

**For the Year Ended July 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/17/10

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# ROZIER, HARRINGTON & MCKAY

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**RETIRED - 2005**

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January 13, 2009

### Independent Auditors' Report

To the Rapides Finance Authority  
Alexandria, Louisiana

We have audited the accompanying basic financial statements of the Rapides Finance Authority, a component unit of the Rapides Parish Police Jury, as of July 31, 2009 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Rapides Finance Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rapides Finance Authority, as of July 31, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2009, on our consideration of the Rapides Finance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

-Members-

American Institute of Certified Public Accountants ♦ Society of Louisiana, CPAs

***Rapides Finance Authority***

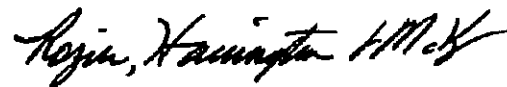
***January 13, 2009***

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The management's discussion and analysis listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that comprise the Rapides Finance Authority's basic financial statements. The accompanying schedule of per diem paid to Board Members is presented for purposes of additional analysis and is not a required part of the basic financial statements of Rapides Finance Authority. The schedule of per diem paid to Board Members has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



ROZIER, HARRINGTON & MCKAY  
Certified Public Accountants

# **Rapides Finance Authority**

## **Management's Discussion And Analysis** **July 31, 2009**

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This section of the Rapides Finance Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended July 31, 2009. This section should be read in conjunction with the financial statements that appear in the following section:

### **OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the basic financial statements include all of the Authority's assets and all of the Authority's liabilities (including long-term debt). Expenses incurred in connection with the operation of the Authority's loan programs are reported as business-type activities.

### **FINANCIAL ANALYSIS OF THE AUTHORITY**

This portion of the management's discussion and analysis provides a comparative financial analysis.

#### **Balance Sheet**

A condensed version of the Authority's Balance Sheet is presented as follows:

	<u>July 31, 2009</u>	<u>July 31, 2008</u>
<b><u>Assets:</u></b>		
Current and Other Assets	\$ 35,863,608	\$ 37,780,602
Capital Assets	-----	-----
Total Assets	35,863,608	37,780,602
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	28,967,975	32,464,619
Long-term Liabilities	-----	-----
Total Liabilities	28,967,975	32,464,619
<b><u>Net Assets:</u></b>		
Restricted	2,175,850	480,580
Unrestricted	4,719,783	4,835,403
Total Net Assets	\$ 6,895,633	\$ 5,315,983

At July 31, 2009, the Authority's assets exceed liabilities by \$6,895,633. The authority does not own any property or equipment, accordingly it has reported no capital assets. A portion of the Authority's net assets (31.6%) are restricted for debt service. The remaining unrestricted net assets (68.4%) may be used to meet the Authority's ongoing obligations and conduct program activities.

# **Rapides Finance Authority**

## **Management's Discussion And Analysis** **July 31, 2009**

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### **Revenues, Expenses and Changes in Net Assets**

A condensed version of the statement of revenues, expenses and changes in net assets is presented as follows:

	<b>For the Year Ended</b>	
	<b>July 31, 2009</b>	<b>July 31, 2008</b>
Operating (Program) Revenues	\$ 1,631,730	\$ 1,576,735
Operating (Program) Expenses	1,626,765	1,827,032
Operating Income (Loss)	4,965	(250,297)
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Interest on deposits and investments	75,188	471,860
Net increase (decrease) in fair value of investment securities	1,499,497	28,608
Total Nonoperating Revenues (Expenses)	1,574,685	500,468
Net Income (Loss)	\$ 1,579,650	\$ 250,171

Operating income totaled \$4,965, indicating that activities have been conducted in a manner necessary to maintain a suitable financial position. In addition, net income totaled \$1,579,650 due to fluctuation in the market value of the Authority's mortgage backed security portfolio.

### **CAPITAL ASSET ADMINISTRATION**

The Authority's activities are limited to providing financing for worthwhile activities in Rapides Parish, including conducting programs for first time homebuyers. The Authority has not acquired any capital assets in connection with these activities.

### **DEBT ADMINISTRATION**

For the year ended July 31, 2009, has issued Series 2005 Single Family Mortgage Revenue Bonds for the purpose of financing the origination of mortgage loans for first time home buyers. In addition, substantial payments were made on the Authority's existing debt as required by various bond indentures. Changes in the Authority's outstanding debt are presented as follows:

## **Rapides Finance Authority**

### **Management's Discussion And Analysis** **July 31, 2009**

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	<b>Beginning Balance</b>	<b>New Borrowing</b>	<b>Debt Reduction</b>	<b>Ending Balance</b>
Series 2007 Bonds	\$ 14,659,473	\$ ----	\$ (1,478,086)	\$ 13,181,387
Series 2005 Bonds	8,536,808	----	(1,208,112)	7,328,696
Series 2003 Bonds	5,734,755	----	(552,268)	5,182,487
Series 2001 Bonds	1,967,365	----	(72,312)	1,895,053
Series 1998 Bonds	1,352,341	----	(161,283)	1,191,058
Total	\$ 32,250,742	\$ ----	\$ (3,472,061)	\$ 28,778,681

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### **FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS**

Factors that are expected to have a significant effect on the Authority's future operations are described as follows:

- Proceeds from the Series 2007 bond issue have been used to originate mortgage loans for first time home buyers at prevailing market rates.
- Due to adverse conditions existing in the financial markets, issuing additional bonds is not considered feasible at the present time. As a result no bond proceeds are currently available to originate loans to first time home buyers.

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# **RAPIDES FINANCE AUTHORITY**

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## **Balance Sheet**

**July 31, 2009**

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	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<b><u>ASSETS:</u></b>	
Current Assets:	
Cash and cash equivalents	\$ 2,164,172
Investments	526,374
Assets restricted by bond indenture:	
Cash and cash equivalents	1,330,979
Investments	29,812,846
Total Current Assets	<u>33,834,371</u>
Non Current Assets:	
Loans, net of allowance for loan losses of \$164,360	519,824
Other assets	<u>1,509,413</u>
<b>Total assets</b>	<u><u>\$ 35,863,608</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>	
Other Current Liabilities	\$ -
Current Liabilities Payable from Restricted Assets:	
Accrued interest expense	189,294
Bonds payable, net of deferred financing cost of \$480,765	<u>28,778,681</u>
<b>Total current liabilities</b>	<u>28,967,975</u>
 <b><u>Net Assets</u></b>	
Restricted for debt service	2,175,850
Unrestricted	<u>4,719,783</u>
<b>Total net assets</b>	<u>6,895,633</u>
 <b>Total liabilities and net assets</b>	<u><u>\$ 35,863,608</u></u>

**The accompanying notes are an integral part of the financial statements.**



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# **RAPIDES FINANCE AUTHORITY**

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## **Statement of Revenue, Expenses and Changes in Net Assets For the Year Ended July 31, 2009**

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	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<b><u>Operating revenues:</u></b>	
Interest on loans	\$ 44,925
Interest from mortgage backed securities - single family home mortgage programs	1,560,865
Other operating revenue	25,940
<b>Total operating revenues</b>	<u>1,631,730</u>
<b><u>Operating expenses:</u></b>	
Interest on bonds issued in connection with first time home buyer programs	1,569,523
Bond trustee fees	8,673
Legal and professional	26,125
Other	22,444
<b>Total operating expenses</b>	<u>1,626,765</u>
<b>Operating income (loss)</b>	<u>4,965</u>
<b><u>Nonoperating revenues (expenses):</u></b>	
Interest on deposits and investments	75,188
Net increase (decrease) in fair value of investment securities	1,499,497
<b>Total nonoperating revenue expenses</b>	<u>1,574,685</u>
<b>Net Income (loss)</b>	1,579,650
<b>Net assets - beginning of year</b>	<u>5,315,983</u>
<b>Net assets - end of year</b>	<u>\$ 6,895,633</u>

The accompanying notes are an integral part of the financial statements.

# **RAPIDES FINANCE AUTHORITY**

## **Statement of Cash Flows For the Year Ended July 31, 2009**

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<b><u>Cash flow from operating activities:</u></b>	
Receipts from borrowers / customers	\$ 217,339
Operation of first time home buyer programs:	
Receipts from paydown of mortgage backed securities	4,351,600
Receipts from interest on mortgage backed securities	1,621,240
Payments to acquire mortgage backed securities	(1,036,306)
Payments of interest on program debt	(1,510,231)
Payments to suppliers	(57,242)
Net cash provided (used) by operating activities	<u>3,586,400</u>
<b><u>Cash flows from noncapital financing activities:</u></b>	
Payment to redeem revenue bonds	(3,555,936)
Net cash provided (used) by non-capital financing activities	<u>(3,555,936)</u>
<b><u>Cash flows from investing activities:</u></b>	
Receipts of interest on deposits and investments	75,188
Net change in investment contracts	890,684
Net cash provided (used) by investing activities	<u>965,872</u>
Net increase (decrease) in cash	996,336
Beginning cash balance	2,498,815
Ending cash balance	3,495,151
Restricted cash balance	1,330,979
Unrestricted cash balance	<u>\$ 2,164,172</u>

**Reconciliation of operating income (loss) to net cash provided  
(used) by operating activities:**

Operating income (loss)	\$ 4,965
Adjustments to reconcile operating income to net cash provided by operating activities:	
Mortgage backed securities - first time home buyer programs	
Receipts from paydown of mortgage backed securities	4,351,600
Payments to acquire mortgage backed securities	(1,036,306)
(Increase) Decrease in loans receivable	146,474
(Increase) Decrease in accrued interest receivable	16,848
Increase (Decrease) in accrued interest payable	(24,583)
Amortization	127,402
Net cash provided (used) by operating activities	<u>\$ 3,586,400</u>

**Supplemental Disclosure:**

For the year ended July 31, 2009, there were no investing, capital, and financing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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### **NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:**

The Rapides Finance Authority, formerly known as Rapides Parish Housing and Mortgage Finance Authority, was created through a trust indenture dated December 14, 1978. The Authority is organized as a Public Trust as defined by state law. Rapides Parish is the designated beneficiary of the trust. The Authority's primary activity is conducting loan programs for first time home buyers.

### **Reporting Entity:**

The Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of a financial reporting entity. The basic criterion for including a potential component unit within a reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the reporting entity to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Authority is a component unit of the Rapides Parish Police Jury. *The accompanying component unit financial statements present information only on the funds maintained by the Authority and do not present information on the police jury, the general government service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.*

### **Basis of Presentation:**

The Authority uses an enterprise fund for financial reporting purposes. Enterprise funds are proprietary funds used to account for business-like activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Due to these similarities, proprietary funds are allowed to follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Authority only applies those FASB pronouncements that were issued on or before November 30, 1989.

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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### **Measurement Focus and Basic of Accounting**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The Authority's enterprise fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net assets.

In addition, the Authority's enterprise fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Since the Authority's principal operations involve specialized lending activities, interest earned from loans and mortgaged backed securities are reported as operating revenues. In addition, interest incurred in connection with debt issued to finance first time home buyer mortgage loan programs is reported as an operating expense.

### **Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents:**

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments.

### **Statement of Cash Flows:**

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks and certificates of deposit. Since the Authority's principal operations involve specialized lending activities, the following receipts and disbursements are reported as cash flows from operating activities:

- Payments to originate loans.
- Receipt of principal and interest collected from borrowers.
- Payments to acquire mortgage backed securities
- Receipts from paydowns and interest associated with mortgage backed securities.
- Payment of interest incurred in connection with bonds issued to finance loan origination and mortgage backed security acquisition.

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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### **Deferred Financing Cost:**

The Authority has incurred various financing costs including underwriting fees, trustee fees, various professional fees, and gains or losses on the refunding of certain debts in connection with issuing bonds. In accordance with generally accepted accounting standards, recognition of these costs has been deferred and amortized over the expected life of the applicable bond issue. The annual amortization reported as a component of the Authority's interest expense. Amortization is computed using methods that are intended to approximate recognition of a constant rate of interest expense.

### **Restricted Resources:**

A substantial portion of the Authority's resources are restricted by the terms of various bond indentures. For expenditures that satisfy restrictions, restricted resources are exhausted before utilizing any unrestricted resources.

### **Investments:**

The Authority is authorized by state law and its trust indenture to acquire certain investment securities including obligations of the United States or its agencies. Investments are reported at fair value based on quotes provided by the Authority's bond trustee.

Certain investment contracts held by the Authority are not negotiable and the value of these contracts is not effected by financial markets. Accordingly, these investment contracts are reported at cost.

### **NOTE 2 – CASH AND EQUIVALENTS:**

Cash on deposits and cash equivalents at July 31, 2009 consisted of the following amounts:

	<u>Cash on Deposit</u>	<u>Cash Equivalents</u>	<u>Total</u>
Deposits held by Rapides Parish Police Jury's fiscal agent in the Police Jury's bank account	\$ 2,062,741	\$ —	\$ 2,062,741
Money Market Mutual Fund	—	101,431	101,431
Highly liquid short-term investments administered by the bond trustees	—	1,330,979	1,330,979
Total Cash and Cash Equivalents	2,062,741	1,432,410	3,495,151
Restricted Cash and Cash Equivalents	—	1,330,979	1,330,979
Unrestricted Cash and Cash Equivalents	<u>\$ 2,062,741</u>	<u>\$ 101,431</u>	<u>\$ 2,164,172</u>

Cash on deposit is collateralized by securities pledged to the Rapides Parish Police Jury. The cash equivalents are considered uninsured and unregistered securities held in the Authority's name. These cash equivalents are not rated but are not subject to any significant credit or interest rate risk.

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# **RAPIDES FINANCE AUTHORITY**

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## **Notes To Financial Statements**

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### **NOTE 3 – INVESTMENT SECURITIES:**

Investment securities include amounts that are managed by the Board of Directors as well as investments that are held in trust established in connection with various bond indentures. Investments are summarized as follows:

	<u>Investments</u>	<u>Restricted Investments</u>
U. S. Government Agency Mortgage Backed Securities:		
GNMA	\$ 34,886	\$ 20,720,183
FNMA	98,929	1,740,128
FHLMC	392,559	6,947,139
Guaranteed Investment Contracts	----	405,396
Total	<u>\$ 526,374</u>	<u>\$ 29,812,846</u>

Proceeds from the various bond issues are used to create a market for single family home mortgages attributable to first time home buyers residing within Rapides Parish. This is accomplished by using the proceeds to purchase securities that are backed by pools of qualifying mortgages. Investment securities held in trust accounts established pursuant to various bond indentures indenture are presented as follows:

Series 2007 Bond Indenture	\$ 13,765,105
Series 2005 Bond Indenture	7,362,131
Series 2003 Bond Indenture	5,327,423
Series 2001 Bond Indenture	1,787,508
Series 1998 Bond Indenture	1,570,679
Total Investments	<u>\$ 29,812,846</u>

A description of each investment security portfolio is presented as follows:

### **Series 2007 Bond Indenture:**

Proceeds from the Series 2007 bond issues have been used to acquire various mortgage backed securities. In addition to the acquisition of MBS, the terms of the Series 2007 bond indenture also authorize the trustee to utilize a guaranteed investment contract with AEGON for the temporary investment of bond proceeds.

Investments held in the Series 2007 portfolio are summarized as follows:

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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MORTGAGE BACKED SECURITIES - guaranteed by GNMA, FHLMC or FMNA. These bonds pay interest monthly at a rates ranging from 5.00% to 5.35%..... \$ 13,765,105

### **Series 2005 Bond Indenture:**

Proceeds from the Series 2005 bond issues have been used to acquire various mortgage backed securities. In addition to the acquisition of MBS, the terms of the Series 2005 bond indenture also authorize the trustee to utilize a guaranteed investment contract with AEGON for the temporary investment of bond proceeds.

Investments held in the Series 2005 portfolio are summarized as follows:

MORTGAGE BACKED SECURITIES - guaranteed by GNMA or FMNA. These bonds pay interest monthly at a rate of 5.0% ..... \$ 7,165,577

GUARANTEED INVESTMENT CONTRACT - The trustee is allowed to invest certain funds at a rate of 3.5%. The contract terminates November 1, 2037 ..... 196,554

Total investments, Series 2001 trust indenture \$ 7,362,131

### **Series 2003 Bond Indenture:**

Proceeds from the Series 2003 bond issues have been used to acquire various mortgage backed securities. In addition to the acquisition of MBS, the terms of the Series 2003 bond indenture also authorize the trustee to utilize a guaranteed investment contract with XL Asset Funding (XL) for the temporary investment of bond proceeds.

Investments held in the Series 2003 portfolio are summarized as follows:

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# **RAPIDES FINANCE AUTHORITY**

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## **Notes To Financial Statements**

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MORTGAGE BACKED SECURITIES - guaranteed by GNMA or FMNA. These bonds pay interest monthly at the following rates:

Annual rate of 5.000%.....	\$ 827,645
Annual rate of 5.125%.....	1,751,760
Annual rate of 5.250%.....	236,468
Annual rate of 5.450%.....	780,425
Annual rate of 5.600%.....	666,440
Annual rate of 5.650%.....	<u>1,064,686</u>

Total investments, Series 2001 trust indenture	<u>\$ 5,327,424</u>
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### **Series 2001 Bond Indenture:**

Proceeds from the Series 2001 bond issues have been used to acquire various mortgage backed securities. In addition to the acquisition of MBS, the terms of the Series 2001 bond indenture also authorize the trustee to temporarily invest funds with FGIC Capital Market Services Inc. (FGIC). Under the terms of the agreement with FGIC the investment contract is guaranteed by General Electric Capital Corporation, a New York Corporation.

Investments held in the Series 2001 portfolio are summarized as follows:

MORTGAGE BACKED SECURITIES - guaranteed by GNMA or FMNA. These bonds pay interest monthly at the following rates:

Annual rate of 6.375%.....	\$ 492,063
Annual rate of 6.250%.....	107,525
Annual rate of 6.000%.....	371,476
Annual rate of 5.875%.....	28,318
Annual rate of 5.800%.....	<u>718,125</u>

FLOAT INVESTMENT CONTRACT – The trustee is allowed to at a guaranteed rate of 5.25%. The contract terminates December 1, 2033; however, the trustee may withdraw funds on demand prior to termination.....	<u>70,001</u>
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Total investments, Series 2001 trust indenture	<u>\$ 1,787,508</u>
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### **Series 1998 Bond Indenture:**

Proceeds from the Series 1998 bond issues have been used to acquire various mortgage backed securities. In addition to the acquisition of MBS, the terms of the series 1998 bond indenture also authorize the trustee to temporarily invest funds with FGIC Capital Market Services Inc. (FGIC).



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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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Under the terms of the investment contract with FGIC amounts invested must be secured by collateral consisting of cash, securities guaranteed by the United States Government, securities issued by certain United States Government Agencies or debt obligations having a rating in the highest category from Moody's and S&P. The collateral is held by an agent mutually agreed upon by FGIC and the trustee. Furthermore, the investments contracts are guaranteed by General Electric Capital Corporation, a New York Corporation.

Investments held in the Series 1998 portfolio are summarized as follows:

MORTGAGE BACKED SECURITIES - guaranteed by GNMA or FMNA. These bonds pay interest monthly at the following rates:

Annual rate of 6.10%.....	\$ 1,014,221
Annual rate of 5.45%.....	417,617

FLOAT INVESTMENT CONTRACT – The trustee is allowed to invest up to \$9,000,000 earning interest at a rate of 5.36%. Interest is payable in semi-annual installments due on June 1<sup>st</sup> and December 1<sup>st</sup> of each year. The contract terminates December 1, 2030; however, the trustee may withdraw funds on demand prior to termination. .... 138,841

Total investments, Series 1998 trust indenture	<u>\$ 1,570,679</u>
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### **Credit Risk**

The Finance Authority typically manages credit risk by limiting investments that are guaranteed by the United States government, agencies of the United States government or private guarantors with substantial financial resources. The investments described above are typically not rated by recognized credit rating agencies. Information regarding credit risk is provided as follows:

- The GNMA securities are guaranteed by the full faith and credit of the United States government.
- The remaining mortgage backed securities are guaranteed by agencies chartered by the United States government. The government sponsored enterprises have been placed under conservatorship by the Federal Housing Finance Agency. Under the terms of this arrangement, the United States Treasury is expected to provide any resources necessary for the Agencies to meet their obligations.
- The guaranteed investment contracts are guaranteed by private organizations. The guarantors are investment grade Standard and Poor's and Moody's.

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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### **Custodial Risk**

The mortgage backed securities are uninsured and unregistered securities held on behalf of the Finance Authority by various bank trust departments. The guaranteed investment contracts are not evidenced by securities that exist in physical or book entry form; therefore, these investments are not subject to custodial credit risk.

### **Interest Rate Risk**

Since funds can be withdrawn from guaranteed investment contracts without limitations, these investments are not exposed to interest rate risk. Interest rate risk associated with mortgage backed securities is offset by the terms of bond issues that finance the acquisition of mortgage backed securities. Since the bond issues provide access to funds needed for investment at fixed rates, any financial impact from unfavorable changes in interest rates is minimized.

### **Maturity Schedule**

Mortgage backed securities mature in monthly installments that are based on the payment history associated with underlying pools of single family home mortgages. Since the payment history is influenced by prepayment of mortgage obligations, it is not practical to provide a maturity schedule associated with the mortgage backed securities.

### **NOTE 4 – LOANS RECEIVABLE:**

The Authority engages in a variety of lending activities which are intended to benefit Rapides Parish. Loans receivable at July 31, 2009 are summarized as follows:

Loans to various local governmental units earning interest at rates ranging from 4.5% to 6.5%.	\$ 519,824
Loans placed on non-accrual status due to a default by the borrower. Collateral associated with these loans is believed to have limited value; therefore, a reserve for losses has been established in connection with these loans.	<u>164,360</u>
Total loans	684,184
Reserve for loan losses	<u>(164,360)</u>
Loans net of reserve for loan losses	<u>\$ 519,824</u>

As described above, a portion of the Authority's loan portfolio has experienced default. Accordingly, it was necessary to establish a reserve for potential losses. Changes in the allowance for loan losses are presented as follows:

# ***RAPIDES FINANCE AUTHORITY***

## ***Notes To Financial Statements***

Balance at beginning of year	\$ 176,919
Provision charged to operating expense	----
Loans charged off	----
Recoveries on previously charged off loans	<u>(12,559)</u>
Balance at end of year	<u>\$ 164,360</u>

### **NOTE 5 -- BONDS PAYABLE:**

Bonds payable at July 31, 2009 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Series 2007 Bonds	\$ 14,659,473	\$ ----	\$ 1,478,086	\$ 13,181,387
Series 2005 Bonds	8,536,808	----	1,208,112	7,328,696
Series 2003 Bonds	5,734,755	----	552,268	5,182,487
Series 2001 Bonds	1,967,365	----	72,312	1,895,053
Series 1998 Bonds	<u>1,352,341</u>	<u>----</u>	<u>161,283</u>	<u>1,191,058</u>
Total Bonds Payable	<u>\$ 32,250,742</u>	<u>\$ ----</u>	<u>\$ 3,472,061</u>	<u>\$ 28,778,681</u>

The bonds described above were issued to finance acquisition of the restricted mortgage backed securities described in Note. 3. Under the terms of the bond issues, any principal collected from the mortgage backed securities must be used to partially redeem bonds issued in connection with those securities. Since the mortgage backed securities are considered current assets, the bonds payable have been classified as current liabilities.

### **Series 2007 Bonds:**

Single Family Mortgage Revenue Bonds Series 2007 bonds outstanding at July 31, 2009, are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Series 2007 Bonds:</u>				
Class A	\$ 14,896,284	\$ ----	\$ 1,509,691	\$ 13,386,593
Deferred Issue Cost	<u>(236,811)</u>	<u>----</u>	<u>(31,605)</u>	<u>(205,206)</u>
Total	<u>\$ 14,659,473</u>	<u>\$ ----</u>	<u>\$ 1,478,086</u>	<u>\$ 13,181,387</u>

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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Revenue bonds have an original par value of \$15,000,000 and an interest rate of 4.65%. Interest is payable on the first business day of each month. The bonds are limited and special obligations of the Rapides Finance Authority payable solely from receipts generated by the Authority's Home Mortgage Loan Program (the Program); however, certain exceptions to this payment scenario are provided by redemption provisions that are described as follows:

### **From Unexpended Proceeds:**

The bonds are subject to redemption from any proceeds that are not used to fund the Program or related cost by March 1, 2008. This redemption date may be extended under certain circumstances; however, it may not be extended beyond July 1, 2010.

### **Optional Redemption:**

At the Authority's option, the bonds may be redeemed on or after December 1, 2016 from any available source of funds. An optional redemption may be in whole or in part at 100% of the outstanding principal balance.

Since maturity of the amounts presented above is influenced by the collection of various mortgage loans originated with the proceeds of this issue, maturity is not based on a fixed schedule. Accordingly, presenting a summary of contractual maturities is not considered appropriate.

The bonds are secured by an assignment and pledge of all right, title and interest of the Authority in the Series 2007 trust estate. The trust estate includes the underlying mortgage backed securities and pledged revenues, rights to the origination agreement and servicing agreement, and all moneys and securities held by the trustee.

### **Series 2005 Bonds:**

Single Family Mortgage Revenue Bonds Series 2005 bonds outstanding at July 31, 2009, are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b><u>Series 2005 Bonds:</u></b>				
Class A	\$ 8,690,000	\$ ----	\$ 1,235,000	\$ 7,455,000
Deferred Issue Cost	(153,192)	----	(26,888)	(126,304)
 Total	 \$ 8,536,808	 \$ ----	 \$ 1,208,112	 \$ 7,328,696

Revenue bonds have an original par value of \$10,000,000 and an interest rate of 4.65%. Interest is payable on the first day of each month. The bonds are limited and special obligations of the Rapides Finance Authority payable solely from receipts generated by the Authority's Home Mortgage Loan

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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Program (the Program); however, certain exceptions to this payment scenario are provided by redemption provisions that are described as follows:

### **From Unexpended Proceeds:**

The bonds are subject to redemption from any proceeds that are not used to fund the Program or related cost by November 1, 2006. This redemption date may be extended under certain circumstances; however, it may not be extended beyond April 1, 2009.

### **Optional Redemption:**

At the Authority's option, the bonds may be redeemed on or after May 1, 2015 from any available source of funds. An optional redemption may be in whole or in part at 100% of the outstanding principal balance.

Since maturity of the amounts presented above is influenced by the collection of various mortgage loans originated with the proceeds of this issue, maturity is not based on a fixed schedule. Accordingly, presenting a summary of contractual maturities is not considered appropriate.

The bonds are secured by an assignment and pledge of all right, title and interest of the Authority in the Series 2005 trust estate. The trust estate includes the underlying mortgage backed securities and pledged revenues, rights to the origination agreement and servicing agreement, and all moneys and securities held by the trustee.

### **Series 2003A Bonds:**

Single Family Mortgage Revenue Bonds with an initial par value of \$10,000,000. The interest rate is determined on the last business day of each month by adding 0.01% per annum to the LIBOR index published by Bloomberg LP. The interest rate is subject to a maximum of 10% and interest is payable in monthly installments. The bonds can be redeemed at 100% of par value and have been redeemed with the proceeds from Series 2003B Bonds.

### **Series 2003B Bonds:**

Proceeds from these Single Family Mortgage Revenue Refunding Bonds, Series 2003B will be used to refund the Series 2003A bonds and establish a fixed rate of interest to finance various components of the single family home mortgage program.

The Series 2003B that will be issued in multiple subseries. Collectively the various subseries will have an aggregate par value of \$10,000,000. The interest rate for each subseries is determined by Fannie Mae prior to issuance. The bonds are scheduled to mature April 1, 2037; however, actual maturity will be influenced by redemption provisions. Outstanding subseries are presented as follows:

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<u>Series 2003B Bonds:</u>				
Subseries 1	\$ 653,623	\$ ----	\$ 79,957	\$ 573,666
Subseries 2	446,431	----	9,954	436,477
Subseries 3	331,640	----	105,847	225,793
Subseries 4	646,748	----	13,531	633,217
Subseries 5	934,170	----	80,407	853,763
Subseries 6	1,147,783	----	74,280	1,073,503
Subseries 7	888,146	----	188,832	699,314
Subseries 8	819,671	----	18,437	801,234
Unamortized Discount	(23,368)	----	(4,254)	(19,114)
Deferred Issue Cost	(110,089)	----	(14,723)	(95,366)
Total	<u>\$ 5,734,755</u>	<u>\$ ----</u>	<u>\$ 552,268</u>	<u>\$ 5,182,487</u>

To a large extent, maturity of the amounts presented above is influenced by the origination and collection of various mortgage loans financed with the proceeds of this issue. Since maturity is not based on a fixed schedule, presenting a summary of contractual maturities is not considered appropriate.

Security for the Series 2003B bonds consist of mortgage backed securities acquired pursuant to the Program and revenue produced by these securities will also serve as security for the bonds. The mortgage backed securities will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association or the Federal National Mortgage Association.

The Series 2003B bonds are limited and special obligations of the Rapides Finance Authority. These obligations are payable solely from receipts generated by the Authority's Home Mortgage Loan Program (the Program); however, certain exceptions to this restriction are provided by redemption provisions that are described as follows:

### **Mandatory Redemption:**

**From Pledged Revenues** - Mandatory redemption, in whole or in part, is required on any interest payment date, when the collection of pledged revenue has exceeded amounts required to meet scheduled principle payments.

### **Optional Redemption:**

At the Authority's option, the bonds may be redeemed on or after January 1, 2013 from any available source of funds at 100% of par value. An optional redemption may be in whole or in part.

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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### **Series 2001 Bonds:**

Single Family Mortgage Revenue Bonds Series 2001 bonds outstanding at July 31, 2009, are presented as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>
<b><u>Series 2001 Bonds:</u></b>				
Class A	\$ 2,005,000	\$ ----	\$ 75,000	\$ 1,930,000
Deferred Issue Cost	(37,635)	----	(2,688)	(34,947)
 Total	 \$ 1,967,365	 \$ ----	 \$ 72,312	 \$ 1,895,053

To a large extent, maturity of the amounts presented above is influenced by the collection of various mortgage loans originated with the proceeds of this issue. Since maturity is not based on a fixed schedule, presenting a summary of contractual maturities is not considered appropriate. A description of each security included in the Series 2001 issue is presented as follow:

Class A - Revenue Bonds with a par value of \$3,900,000. Prior to June 1, 2002 interest is based on a rate of 4.25%; however, on June 1, 2002 the bonds begin earning 5.9% per annum. Interest is payable in semi-annual installments due on June 1<sup>st</sup> and December 1<sup>st</sup> of each year. The bonds are scheduled to mature serially beginning December 1, 2024 with the final installment due December 1, 2033; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Class B (Refunding Bonds) - Revenue Bonds with a par value of \$2,355,000. Prior to June 1, 2002 interest is based on a rate of 4.375%; however, on June 1, 2002 the bonds begin earning 5.625% per annum. Interest is payable in semi-annual installments due on June 1<sup>st</sup> and December 1<sup>st</sup> of each year. The bonds are scheduled to mature serially beginning June 1, 2015 with the final installment due December 1, 2024; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Security for the Series 2001 bonds consist of bond proceeds held by a trustee for the purpose of acquiring mortgage backed securities pursuant to the Rapides Finance Authority's Home Mortgage Loan Program. Mortgage backed securities acquired pursuant to the Program and revenue produced by these securities will also serve as security for the Series 2001 bonds. The mortgage backed securities will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association or the Federal National Mortgage Association.

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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The Series 2001 bonds are limited and special obligations of the Rapides Finance Authority. These obligations are payable solely from receipts generated by the Authority's Home Mortgage Loan Program (the Program); however, certain exceptions to this restriction are provided by redemption provisions that are described as follows:

### **Mandatory Redemption:**

**From Pledged Revenues** - Partial mandatory redemption is required on any interest payment date, when the collection of pledged revenue has exceeded amounts required to meet scheduled principle payments. Furthermore, complete redemption is required whenever excess pledged revenue is sufficient to repay all outstanding bonds and any accrued interest. Collection of excess pledged revenue is expected as a result of prepayment from mortgage backed securities acquired in connection with the Program.

**From Unexpended Proceeds** - The bonds are subject to redemption from any proceeds that are not used to fund the Program or related cost by June 1, 2003. This redemption date may be extended under certain circumstances; however, it may not be extended beyond December 1, 2004.

### **Optional Redemption:**

At the Authority's option, the bonds may be redeemed on or after June 1, 2011 from any available source of funds. An optional redemption may be in whole or in part. Redemption prices expressed as a percentage of par value are presented as follows:

<b><u>Dates:</u></b>	<b><u>Redemption Price</u></b>
June 1, 2011 through November 30, 2011	102%
December 1, 2011 through May 31, 2012	101%
June 1, 2012 and thereafter	100%

### **Series 1998 Bonds:**

Series 1998 consist of the following bonds dated July 15, 1998. At July 31, 2009, series 1998 debt consisted of the following balances:



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# **RAPIDES FINANCE AUTHORITY**

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## **Notes To Financial Statements**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Series 1998 Bonds:</u>				
Class A	\$ 1,140,000	\$ ----	\$ 140,000	\$ 1,000,000
Class B	235,000	----	25,000	210,000
Deferred Issue Cost	(22,659)	----	(3,717)	(18,942)
 Total	 \$ 1,352,341	 \$ ----	 \$ 161,283	 \$ 1,191,058

To a large extent, maturity of the amounts presented above is influenced by the collection of various mortgage loans and mortgage backed securities. Since maturity is not based on a fixed schedule, presenting a summary of contractual maturities is not considered appropriate. A description of each security included in the Series 1998 issue is presented as follow:

Class A - Revenue Bonds with a par value of \$4,700,000. Interest is based on a rate of 5.45%, interest is payable in semi-annual installments due of June 1<sup>st</sup> and December 1<sup>st</sup> of each year. The bonds are scheduled to mature serially beginning June 1, 2019 with the final installment due December 1, 2030; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Class B - Revenue Bonds with a par value of \$800,000. Interest is based on a rate of 5.35%, interest is payable in semi-annual installments due of June 1<sup>st</sup> and December 1<sup>st</sup> of each year. The bonds are scheduled to mature serially beginning December 1, 2024 with the final installment due June 1, 2026; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Security for the Series 1998 bonds consist of bond proceeds held by a trustee for the purpose of acquiring mortgage backed securities pursuant to the Rapides Finance Authority's Home Mortgage Loan Program. Mortgage backed securities acquired pursuant to the Program will also serve as security for the Series 1998 bonds. The mortgage backed securities will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association or the Federal National Mortgage Association.

The Series 1998 bonds are limited and special obligations of the Rapides Finance Authority. These obligations are payable solely from receipts generated by the Authority's Home Mortgage Loan Program (the Program); however, certain exceptions to this restriction are provided by redemption provisions that are described as follows:

### **Mandatory Redemption:**

**From Pledged Revenues** - Partial mandatory redemption is required on any interest payment date, when the collection of pledged revenue has exceeded amounts required to meet scheduled principle payments. Furthermore, complete redemption is required whenever excess pledged revenue is sufficient to repay all outstanding bonds and any

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Notes To Financial Statements***

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accrued interest. Collection of excess pledged revenue is expected as a result of prepayment from mortgage backed securities acquired in connection with the Program.

**From Unexpended Proceeds** – The bonds are subject to redemption from any proceeds that are not used to fund the Program or related cost by August 1, 2000. This redemption date may be extended under certain circumstances; however, it may not be extended beyond December 1, 2001.

### **Optional Redemption:**

At the Authority's option, the bonds may be redeemed on or after June 1, 2008 from any available source of funds. An optional redemption may be in whole or in part. Redemption prices expressed as a percentage of par value are presented as follows:

<b><u>Dates:</u></b>	<b><u>Redemption Price</u></b>
June 1, 2008 through November 30, 2008	102%
December 1, 2008 through May 31, 2009	101%
June 1, 2009 and thereafter	100%

### **NOTE 6 – RISK MANAGEMENT:**

The Authority is exposed to various risk of loss related to torts, theft, errors and omissions. The Authority insures against these risk described above by purchasing commercial insurance coverage. Legal counsel has advised management that no claims have resulted from these insured risk during any of the past three fiscal years.

# **ROZIER, HARRINGTON & MCKAY**

## **CERTIFIED PUBLIC ACCOUNTANTS**

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**M. DALE HARRINGTON, CPA**  
**RETIRED - 2005**

January 13, 2009

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Rapides Finance Authority  
Alexandria, Louisiana

We have audited the basic financial statements of the Rapides Finance Authority, as of and for the year ended July 31, 2009, and have issued our report thereon dated January 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Rapides Finance Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal, course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

**-Members-**

**American Institute of Certified Public Accountants ♦ Society of Louisiana, CPAs**

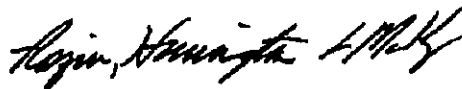
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Rapides Finance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY  
Certified Public Accountants

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Summary of Findings and Questioned Cost***

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### **PART I - SUMMARY OF AUDITOR'S RESULTS:**

- The Independent Auditors' Report on the financial statements for the Rapides Finance Authority as of July 31, 2009 and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of the Rapides Finance Authority.
- The Rapides Finance Authority did not receive any Federal Awards; therefore, no reporting under OMB Circular A-133 was necessary.

### **PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:**

- None

### **PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:**

- N/A.

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Management's Corrective Action Plan***

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<b><u>SECTION I</u></b> <b>INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.</b>	
No findings were reported in the schedule of findings and questions cost.	Response – N/A
<b><u>SECTION II</u></b> <b>INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
N/A – The Authority did not receive federal financial assistance	Response – N/A
<b><u>SECTION III</u></b> <b>MANAGEMENT LETTER</b>	
No findings were reported in the schedule of findings and questions cost.	Response – N/A

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Schedule of Prior Findings and Questioned Cost***

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<b><u>SECTION I</u></b> <b>INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
No findings of the nature were reported as a result of the previous audit.	Response – N/A
<b><u>SECTION II</u></b> <b>INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
No findings of the nature were reported as a result of the previous audit.	Response – N/A
<b><u>SECTION III</u></b> <b>MANAGEMENT LETTER</b>	
No findings of the nature were reported as a result of the previous audit.	Response – N/A

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# ***RAPIDES FINANCE AUTHORITY***

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## ***Schedule of Per Diem Paid to Board Members***

***For the Year Ended July 31, 2009***

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Amos Wesley	\$ 1,200
Barry Hines	1,000
Bobbie Clifton	1,100
Charles Johnson	100
David Bates	900
David Butler	3,600
Granvel Metoyer	1,100
Jack Dewitt	1,200
Floyd Kirts	1,200
Joe Page	1,000
Morton Henderson	1,100
Sam Debona	1,200
Tom Nash	<u>1,200</u>
 Total	 <u>\$ 15,900</u>